

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2017/2018

PBF0014 – INTRODUCTION TO PERSONAL FINANCE
(Foundation in Business)

1 JUNE 2018
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **TWO** pages with **FOUR** questions only.
2. Answer **ALL** questions.
3. Write your answers in the Answer Booklet.

ESSAYS [100 MARKS]

Instructions: Answer **ALL** questions. Write your answers in the Answer Booklet.

QUESTION 1

- a) Describe the main differences between shorter term loan and longer term loan. (4 marks)
- b) According to the debt resolution rule, what is the time frame for repayment of short-term debt? What types of borrowing are not considered in the debt resolution rule? (4 marks)
- c) What methods are used to calculate the interest on a single-payment loan? Which method is preferable to the consumer? (4 marks)
- d) Describe **THREE** drawbacks of credit card. (3 marks)
- e) In determining what makes an individual creditworthy, most lenders refer to the "five Cs" of credit. List and Explain the "five Cs" of credit. (10 marks)

(Total 25 marks)

QUESTION 2

- a) State **TWO** advantages and **TWO** disadvantages of owning a new vehicle. (4 marks)
- b) The price of a new brand car is RM100,000. A minimum down payment of 10% was made and the hire purchase's interest rate is 4% per annum (flat rate). The amount of hire purchase loan is RM90,000 and the loan tenure is 7 years. Calculate the monthly installment that must be paid after considering the interest based on add-on method. (10 marks)
- c) In determining how much we can afford to buy a house, there are three types of cost that we should consider. Give **TWO** examples for each type of costs.
 - i. One-time Costs
 - ii. Recurring Costs
 - iii. Maintenance and Operating Costs. (3 marks)
- d) Briefly explain the **FOUR** steps involved in smart buying process when attempting to purchase a house. (8 marks)

(Total 25 marks)

Continued...

QUESTION 3

- a) In risk management, there are **THREE** ways that we can deal with risk. List and explain the ways. (6 marks)
- b) What is the purpose of insurance? Explain the difference between health and life insurance. (4 marks)
- c) You have been given an overview of stocks and bonds. Explain each of these. Give **ONE** advantage and **ONE** disadvantage of investing in each of these. (6 marks)
- d) List and explain the **THREE** factors that should be considered in making asset allocation decision. (9 marks)

(Total 25 marks)

QUESTION 4

- a) "Pay yourself first" and "start early" are fundamental strategies when planning for retirement.
 - i) Discuss what you understand with "Pay yourself first". (3 marks)
 - ii) Give **THREE** benefits of "start early" when planning for retirement. (3 marks)
- b) Briefly explain the following documents when preparing for estate planning.
 - i) Wills (5 marks)
 - ii) Durable power attorney (2 marks)
 - iii) Durable health care power of attorney (2 marks)
- c) You always hear people saying "Live below your means". Discuss and give **THREE** examples. (5 marks)
- d) List **FIVE** tips on how to avoid financial trouble. (5 marks)

(Total 25 marks)

End of paper